

**SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS MEETING**

Wednesday, June 17, 2015 1:00 p.m. Minutes Approved 7.15.15
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Board Members Present:

Chairman Art Bjontegard
Mr. Audie Penn
Mr. Steve Heisler
Mr. Frank Fusco
Mr. Steve Osborne
Mr. John Sowards
Mr. David Tigges
Ms. Stacy Kubu (via telephone)

Board Members Absent:

Vice Chairman Joe "Rocky" Pearce
Mr. Steve Matthews
Sheriff Leon Lott

Others present for all or a portion of the meeting:

Peggy Boykin, Kim Brown, Tom Cone, Sarah Corbett, Matthew Davis, Georgia Gillens, Mason Gregory, Ariail Kirk, Megan Lightle, Heather Muller, Jacalin Shealy, Laura Smoak, Rob Tester, Travis Turner, Stephen Van Camp, Charles Varn, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Geoffrey Berg and Mike Hitchcock from the South Carolina Retirement System Investment Commission (RSIC); Donna Foster from the Budget & Control Board; Rex Gale, Brooks Goodman, Matt Shaffer, and Steve Wiggins from Blue Cross Blue Shield of South Carolina; Wayne Pruitt and Donald Tudor from the State Retirees Association of South Carolina; Beth Lemmonds from Southern Strategy Group, and Thompson Kinney from Milliken Law Firm.

1. CALL TO ORDER

Chairman Art Bjontegard called the PEBA Board of Director's (Board) meeting to order at 1:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

2. ADOPTION OF PROPOSED AGENDA

Mr. Steve Heisler made a motion, which was seconded by Mr. John Sowards, and approved unanimously, to adopt the proposed Board meeting agenda.

3. APPROVAL OF MEETING MINUTES – MAY 20, 2015

Mr. Steve Osborne made a motion, which was seconded by Mr. Sowards, and approved unanimously, to adopt the May 20, 2015, meeting minutes as presented.

4. AGENCY HEAD EVALUATION TRAINING

Ms. Donna Foster from the Budget & Control Board, reviewed the process of completing the Agency Head Evaluation, and guided the Board on what is needed to complete the Agency Head Planning Stage for the new year. Ms. Foster described the four stages of the performance evaluation process including: the planning stage; interim performance conference; pre-appraisal

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interview; and the evaluation stage. Ms. Foster reminded the Board that the Agency Head Evaluation is due to the Salary Commission by August 15, 2015.

5. RSIC REPORT ON PERFORMANCE

Mr. Geoffrey Berg, Managing Director, South Carolina Retirement System Investment Commission (RSIC), provided a performance update for the period March 31, 2015. Mr. Berg reviewed the fiscal year-to-date asset class performance, and noted that hedge funds, real estate, and global tactical allocation were the top performers relative to the policy benchmark. Mr. Berg also discussed the Plan's adjusted portfolio exposure, fiscal year-to-date contributions by asset class, and fiscal year plan performance. Mr. Berg stated that as of March 31, 2015, Plan performance is 1.16 percent.

6. PEBA BOARD GOVERNANCE DOCUMENTS

A. PEBA Board Education Policy Revisions

Mr. Justin Werner, PEBA's Legal Counsel, referred to additional modifications to the PEBA Board Continuing Education Policy, which was amended to include requiring at least two hours of fiduciary education and at least two hours of ethics education within the required eighteen hours of qualifying educational training for each reporting period. The revision also commits the legal department to coordinate the fiduciary and ethics training. Mr. Werner noted that the FAAC Committee modified the Education Policy to clarify that fifty minutes of educational training is equal to one hour of educational credit, and recommends the amended Education Policy to the full Board for approval.

Chairman Bjontegard stated that the motion presented is a Committee motion which does not require a second. The motion passed unanimously.

B. PEBA Committee Charter Review

Mr. Werner stated that the Board's Governance Policy requires an annual review of Committee Charters, and all of the Committees have completed their charter review. Mr. Werner reported that the Retirement Committee did not have any changes to their charter, while the FAAC Committee had a technical correction, and the Health Policy Committee deleted a redundant item. Mr. Werner advised that all of the Committees made a motion to reaffirm their charters with the noted corrections.

Chairman Bjontegard stated that the motion presented is a Committee motion which does not require a second. The motion passed unanimously.

7. COMMUNICATIONS

A. PEBA Logo and Tagline

Heather Young, PEBA's Public Information Director, introduced herself to the Board, and stated that PEBA's Identify Development Project was created to ensure that members and

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public policy makers clearly understand who PEBA is and the benefits provided. Ms. Young added that a new logo has been created to provide consistent identity on materials to further the identification of PEBA and its mission. Ms. Young reviewed and provided samples of the new suggested PEBA logo and tagline.

Following further discussion, Mr. Heisler made a motion, which was seconded by Mr. Osborne, and approved unanimously, for the Board to approve the newly developed PEBA logo and tagline, "Serving those who serve South Carolina." It was noted that the Board would like the crescent circle on the logo to be slightly larger than the lettering.

B. Cobranding with Vendors

Ms. Megan Lightle; PEBA's Communications Director, introduced herself to the Board, and provided a report on the advantages and disadvantages of private labeling, cobranding, and while labeling. Ms. Lightle stated that after reviewing the options, staff recommends that PEBA cobrand with its third-party benefit providers for several reasons including:

1. To take advantage of private label brand recognition;
2. To take advantage of extending the reach and recognition of the PEBA brand once it is established;
3. To extend PEBA's ability to provide information to members by collaborating with vendors and using resources otherwise unavailable to the agency; and
4. To identify any PEBA-approved marketing materials from vendors.

Following further discussion, Mr. Heisler made a motion, which was seconded by Mr. Sowards, and approved unanimously, for the Board to accept the staff's recommendation to cobrand with vendors.

8. COMMITTEE REPORTS

A. HEALTH CARE POLICY COMMITTEE

Mr. Heisler stated that the Health Care Policy Committee met earlier in the morning, and Dr. Will Harms from Blue Cross Blue Shield of South Carolina clarified the difference in Telemedicine and Telehealth.

Mr. Heisler reported that Ms. Stephanie Heckart, Chief Operating Officer for Companion Benefit Alternatives presented an overview of services for treatment of mental health and substance abuse, as well as autism-related services in the State Health Plan (SHP).

Mr. Heisler noted that the Committee also reviewed their Committee Charter, received a healthcare legislative update, and received an update on the PEBA Board Strategic Plan-Staff Action Plans related to the Health Care Policy Committee. Mr. Heisler confirmed that staff anticipates meeting the 2015 target completion dates.

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B. RETIREMENT POLICY COMMITTEE

Mr. Sowards stated that the Retirement Policy Committee met on June 3, 2015, and received as information the first quarter performance reports from the State Optional Retirement Program (ORP) and the Deferred Compensation Plan. Mr. Sowards advised that one of the ORP vendors would make a presentation to the Committee each quarter going forward.

Mr. Sowards advised that the Retirement Policy Committee moved to adopt the full suite of SSgA Target Retirement Funds within the Deferred Compensation investment menu. Mr. Matthew Davis, Defined Contribution Unit Manager, explained the motion in detail for the Board.

Chairman Bjontegard stated that the motion presented is a Committee motion which does not require a second. The motion passed unanimously.

C. FINANCE, ADMINISTRATION, AUDIT AND COMPLIANCE (FAAC) COMMITTEE

Mr. Osborne stated that the FAAC Committee met on June 2, 2015, and made motions to adopt the PEBA Board Education Policy, and reapprove the FAAC Committee Charter with the noted technical correction.

Mr. Osborne reported that Ms. Lisa Phipps, PEBA's Director of Operational and Research Development, presented a website self-service capabilities report, and provided an overview of self service business features available to members and employers.

Mr. Osborne stated that Mr. Robbie Brown, PEBA's Information Technology Systems Manager, presented a report on data security related to the detection and prevention of vulnerabilities and attacks, and reviewed future improvements for 2015-2016.

Mr. Osborne advised that the FAAC Committee received as information several internal audit reports including the Internal Audit Plan Status Report; Internal Audit Report on IT Software Licenses; and the Internal Audit Report on Data Security. Mr. Osborne reported that Mr. John Page, Director of Internal Audit, concluded that preventative and detective controls were present and operating, and commented favorably on the number of initiatives that the IT Department is working on to improve the current system, as well as the progress that management has made to complete previous audit recommendations.

Mr. Osborne confirmed that the Committee received an update on the PEBA Board Strategic Plan-Staff Action Plans related to the FAAC Committee, and an update regarding the number of Full-Time Equivalent (FTE) positions available at PEBA.

9. OLD BUSINESS/DIRECTOR'S REPORT

Ms. Peggy Boykin, PEBA's Executive Director, provided the Director's Report, and stated that the budget is currently under review in a budget conference committee. Ms. Boykin advised that PEBA's operating budget is the same for fiscal year 2014 and 2015.

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Ms. Boykin reminded the Board that PEBA is continuing to work with the Legislative Audit Council, which is an oversight agency of the General Assembly that performs objective performance audits of state operations. Currently, the Council is conducting an audit of the state's pension funds which includes the SC Retirement System Investment Commission and PEBA. Ms. Boykin added that the audit which focuses solely on retirement, should be completed by the end of July and a report provided by the end of September.

Ms. Boykin reported that phase one of the Operational Assessment is on target to be completed by September 15, 2015. Ms. Boykin advised the Board that the Operational Assessment is a long-term project that focuses on PEBA's business processes, information systems and organizational structures.

Ms. Boykin stated that PEBA will be presenting a quarterly update at the end of the month on the progress towards the implementation of the Funston Fiduciary Audit recommendations to the Senate Finance Special Subcommittee to Review the Investment of State Retirement Funds.

At the conclusion of the Director's Report, Chairman Bjontegard provided an opportunity for a roundtable discussion.

10. EXECUTIVE SESSION

At 2:15 p.m., Mr. Frank Fusco made a motion, which was seconded by Mr. Heisler, and passed unanimously, to recede into executive session to discuss contractual, legal, and personnel matters pursuant to S.C. Code Ann. § 30-4-70.

The Board reconvened in open session at 3:35 p.m. Chairman Bjontegard announced that no action was taken by the Board while in executive session.

11. ADJOURNMENT

There being no further business, and upon motion by Mr. Heisler, which was seconded by Mr. Sowards, and approved unanimously, the Board meeting adjourned at 3:36 p.m.